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SEC



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MISSION

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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| OMB APPROVAL | |
| OMB Number: | 3235-0123 |
| Expires: | February 28, 2010 |
| Estimated average burden hours per response..... | 12.00 |

| |
|-----------------|
| SEC FILE NUMBER |
| 8- 51300 |

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2008 AND ENDING December 31, 2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Smith Point Capital, LTD.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3 Moss Creek Court

(No. and Street)

Durham

NC

27712

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Larry Forrest

919-768-6713

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Batchelor, Tillery & Roberts, LLP

(Name - if individual, state last, first, middle name)

P.O. Box 18068

Raleigh

NC

27619

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

JAN 2 9 30 AM

Washington, DC
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

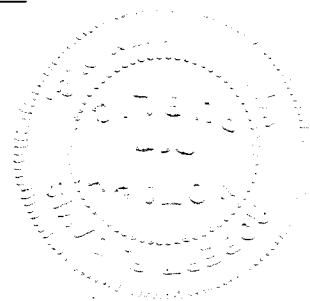
I, Larry Forrest, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Smith Point Capital, LTD., as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Larry Forrest
Signature

CEO
Title

[Signature]

Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

BACHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

RONALD A. BACHELOR
ANN H. TILLERY
FRANKLIN T. ROBERTS
WM. JAMES BLACK, JR.
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724

Independent Auditors' Report

The Stockholder
Smith Point Capital, LTD.:

We have audited the accompanying balance sheets of Smith Point Capital, LTD. (the "Company") as of December 31, 2008 and 2007 and the related statements of loss, changes in stockholder's equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1-2 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bachelor, Tillery & Roberts, LLP
February 24, 2009

SMITH POINT CAPITAL, LTD.

Balance Sheets

December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|------------------|---------------|
| <u>Assets</u> | | |
| Current assets- cash and cash equivalents | \$ <u>35,870</u> | <u>36,126</u> |
| <u>Liabilities and Stockholder's Equity</u> | | |
| Current liabilities- accounts payable | <u>5,080</u> | <u>7,000</u> |
| Stockholder's equity: | | |
| Common stock, no par value, 75,000 shares authorized, 1,000 shares outstanding | 1,000 | 1,000 |
| Additional paid-in capital | 31,915 | 26,915 |
| Retained earnings | <u>(2,125)</u> | <u>1,211</u> |
| Total stockholder's equity | <u>30,790</u> | <u>29,126</u> |
| Total liabilities and stockholder's equity | \$ <u>35,870</u> | <u>36,126</u> |

See accompanying notes to financial statements.

SMITH POINT CAPITAL, LTD.

Statements of Loss

Years ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|----------------------|-------------------|-----------------|
| Revenues | \$ <u>1,564</u> | <u>7,778</u> |
| Operating expenses: | | |
| Consulting fees | 3,137 | 31,460 |
| Insurance | - | 655 |
| Rent | 1,020 | 1,980 |
| Licenses and permits | 345 | 1,235 |
| Office | 886 | 7,259 |
| Travel | <u>-</u> | <u>3,711</u> |
| | <u>5,388</u> | <u>46,300</u> |
| Operating loss | <u>(3,824)</u> | <u>(38,522)</u> |
| Other income: | | |
| NASD refund | - | 35,000 |
| Interest | <u>488</u> | <u>1,306</u> |
| | <u>488</u> | <u>36,306</u> |
| Net loss | \$ <u>(3,336)</u> | <u>(2,216)</u> |

See accompanying notes to financial statements.

SMITH POINT CAPITAL, LTD.

Statements of Changes in Stockholder's Equity

Years Ended December 31, 2008 and 2007

| | Common stock | Additional paid- in capital | Retained earnings | Total |
|----------------------------|-----------------|-----------------------------------|----------------------|---------------|
| Balance, December 31, 2006 | \$ 1,000 | 26,915 | 3,427 | 31,342 |
| Net loss | - | - | (2,216) | (2,216) |
| Balance, December 31, 2007 | 1,000 | 26,915 | 1,211 | 29,126 |
| Net loss | - | - | (3,336) | (3,336) |
| Contributed Capital | - | 5,000 | - | 5,000 |
| Balance, December 31, 2008 | \$ <u>1,000</u> | <u>31,915</u> | <u>(2,125)</u> | <u>30,790</u> |

See accompanying notes to financial statements.

SMITH POINT CAPITAL, LTD.

Statements of Cash Flows

Years ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|-------------------------|----------------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (3,336) | (2,216) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Changes in operating assets and liabilities- accounts payable | <u>(1,920)</u> | <u>5,450</u> |
| Net cash (used in) provided by operating activities | (5,256) | 3,234 |
| Cash flows from financing activities- contributed capital | <u>5,000</u> | <u>-</u> |
| Net (decrease) increase in cash and cash equivalents | (256) | 3,234 |
| Cash and cash equivalents, beginning of year | <u>36,126</u> | <u>32,892</u> |
| Cash and cash equivalents, end of year | \$ <u><u>35,870</u></u> | <u><u>36,126</u></u> |

See accompanying notes to financial statements.

SMITH POINT CAPITAL, LTD.

Notes to Financial Statements

December 31, 2008 and 2007

(1) Organization and Significant Accounting Policies

Organization

The Company was organized as Smith Point Capital, LTD. (the "Company") under the laws of the state of North Carolina on February 21, 2002 to provide investment services to investors as a fully disclosed introducing broker-dealer. The Company is licensed to operate in all fifty states. The Company is a broker-dealer in securities registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the Financial Industry Regulatory Authority, Inc. (FINRA). The Company's securities are cleared through a clearing broker-dealer. The Company does not maintain customers' security accounts nor does it perform custodial functions related to customer securities.

Revenue Recognition

The Company recognizes revenue from securities transactions on a trade-date basis. The Company recognizes revenue from the trading of securities on an accrual basis.

Basis of Presentation

The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the financial statements, cash and cash equivalents include cash, deposits in interest-bearing accounts, and other financial instruments with original maturities of less than three months.

Income Taxes

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (using accelerated depreciation methods for income tax purposes), the allowance for doubtful accounts (deductible for financial statement purposes but not for income tax purposes) and unrecognized gains and losses on investments. No differences exist as of December 31, 2008 or 2007.

SMITH POINT CAPITAL, LTD.

Notes to Financial Statements, Continued

December 31, 2008 and 2007

(1) Organization and Significant Accounting Policies, Continued

Income Taxes, Continued

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, "Accounting for Income Taxes". FIN 48 created a single model to address accounting for uncertain income tax positions and established a minimum recognition threshold a tax position must meet before being recognized in the financial statements. In December 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Company has deferred adoption of FIN 48 until its 2009 financial statements. Management anticipates that the adoption of FIN 48 will not have a material impact on the Company's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the basic method, permitted by the Rule, which requires that the Company maintain minimum net capital of \$5,000, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2008, the Company had net capital, as defined, of \$30,790, which was \$25,790 in excess of required net capital, and its ratio of aggregate indebtedness to net capital was 0.16 to 1.

Supplemental Schedules of Computation and Reconciliation of
Net Capital in Accordance with Rule 15c3-1 of the
Securities and Exchange Commission

December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|------------------|----------------|
| Total assets | \$ 35,870 | 36,126 |
| Deduct: Aggregate indebtedness | <u>(5,080)</u> | <u>(7,000)</u> |
| Net worth | 30,790 | 29,126 |
| Deduct: Excluded indebtedness | - | - |
| Add: Subordinated indebtedness | - | - |
| Deduct: Non-allowable assets | - | - |
| Deduct: Concessions | - | - |
| Deduct: Securities haircuts | <u>-</u> | <u>-</u> |
| Net capital | \$ <u>30,790</u> | <u>29,126</u> |
| Net capital requirements: | | |
| Broker-dealer | \$ 5,000 | 5,000 |
| Net capital in excess of requirements | <u>25,790</u> | <u>24,126</u> |
| Net capital as computed above | \$ <u>30,790</u> | <u>29,126</u> |
| Net capital per December 31 FOCUS report (unaudited) | \$ 30,790 | 29,126 |
| Adjustments | <u>-</u> | <u>-</u> |
| Adjusted net capital, December 31 | \$ <u>30,790</u> | <u>29,126</u> |

**Supplemental Schedules of Computation for Determination
of Reserve Requirements Pursuant to Rule 15c3-3
of the Securities and Exchange Commission**

December 31, 2008 and 2007

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.

BACHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

RONALD A. BACHELOR
ANN H. TILLERY
FRANKLIN T. ROBERTS
WM. JAMES BLACK, JR.
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724

**The Stockholder
Smith Point Capital, LTD.:**

In planning and performing our audit of the financial statements of Smith Point Capital, LTD (the Company), as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
- 2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate as of December 31, 2008 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, Inc., and any other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Batchelor, Lilling & Roberts, LLP
February 24, 2009

SMITH POINT CAPITAL, LTD.

**Financial Statements
and Internal Control Report**

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

**SEC Mail Processing
Section**

JAN 26 2009

**Washington, DC
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